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Thailand

Trade Policy Monitoring

An Increase in Excise Taxes on Alcoholic Beverages and Cigarettes

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Report Highlights:

The Royal Thai Government agreed to raise excise taxes on various alcoholic beverages and cigarettes.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Bangkok [TH1], TH

In an effort to cover the running budget deficit, the Royal Thai Government agreed on March 27, 2001 to raise excise taxes on various alcoholic beverages and cigarettes as follows:

1. Beer, from 53% or 100 baht/litre to 55% or 100 baht/litre;
2. Wine and sparkling wine, from 55% or 100 baht/litre to 60% or 100 baht/litre;
3. Whisky, from 35% or 150 baht/litre to 45% or 240 baht/litre;
4. Brandy, from 25% or 150 baht/litre to 30% or 190 baht/litre;
5. Other types of liquor apart from whisky and brandy, from 35% or 150 baht/litre to 45% or 240 baht/litre;
6. Blended or special blended liquor, from 35% or 150 baht/litre to 45% or 240 baht/litre; and
7. Cigarettes, from 71.5% to 75%.

Although these excise tax rates has increased in the range of only 2-10 percent, their impact on the total cost of imported products is relatively high. This is because the methodology of calculation has caused the net excise tax to be multiplied and a rise in the excise tax will automatically lead to an increase in other taxes (i.e., interior tax and value added tax). Based on our calculation, the total cost of imported beer might rise by 23 percent of the original CIF price, followed by 68 percent for wine and sparkling wine, 62 percent for whisky, 20 percent for brandy, and 62 percent for other types of liquor, 62 percent for blended or special blended liquor. As for cigarettes, the new excise tax has led retail prices for cigarettes to increase by 2-8 baht/pack (5-18 US cent/pack).

As a result of an enormous impact on the import costs, imports of alcoholic beverages and cigarettes may decrease to some degree in 2001 and 2002. Thailand's imports of alcoholic beverages (excluding vermouth and other grape wine flavored with plants or aromatic substances) in 2000 were 4,139 million baht (about US\$ 96 million), of which 111 million baht (US\$ 2.6 million) originated in the United States. Meanwhile, imports of cigarettes in 2000 totalled 2,513 million baht (approx. US\$ 58 million), of which 123 million baht (US\$ 2.7 million) originated in the U.S. It should also be noted that the cigarette imports from other ASEAN countries (i.e., Indonesia, Malaysia, Philippines and Singapore) are mostly U.S. brand cigarettes, as several U.S. cigarette manufacturers relocated their plants to these countries in recent years. Cigarettes imported from these four ASEAN countries totalled about 1,920 million baht (US\$ 45 million) in 2000.